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# Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

## Just When You Thought It Was Safe... Advance-Fee Loan “Sharks”

Washington, DC — A new breed of loan shark is preying upon unwary consumers. Most credit scams and specifically, advance-fee loan scams, “guarantee” or represent a “high likelihood of success” that the advertiser will be able to get or arrange a loan or other form of credit for a consumer, *regardless of the consumer’s credit history*. These scams differ from legitimate, guaranteed offers of credit in one critical way: they require payments up-front, before the lender is identified and the application is completed. Legitimate lenders may require consumers to pay application, appraisal, or credit report fees, but these fees never are required before the lender is identified and the application completed. In addition, the fees generally are made payable to the lender, not the broker or arranger of the supposed “guaranteed” loan or extension of credit.

Legitimate lenders rarely guarantee *a loan or extension of credit* before evaluating a consumer’s creditworthiness. However, there are legitimate guaranteed offers of credit. For example, guaranteed offers of credit cards or other extensions of credit do *not* require any payments up-front for a consumer to accept the offers. These are firm offers of credit that require a consumer to *accept* the offer; they are advance-fee loans only if they offer the consumer the “opportunity to apply” for credit.

Advertisements that promise loans generally appear in the classified section of newspapers and magazines and on the Internet. Often, the ads feature “900” numbers, which result in charges on your phone bill. Advance-fee loan scams also are promoted through direct mail and radio and cable TV spots. The appearance of an ad in recognized media outlets — such as your local paper or radio station — does not guarantee the legitimacy of the company behind the ad.

The Federal Trade Commission says you can avoid advance-fee loan sharks. Here’s how:

- Don’t pay for a promise. It’s illegal for companies doing business by phone to promise you a loan and ask you to pay for it before they deliver.
  - Ignore any ad — or hang up on any caller — that guarantees a loan in exchange for an advance fee. Legitimate lenders never “guarantee” or say that you will receive a loan before you apply, especially if you have bad credit or no credit record.
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- Never give your credit card or bank account numbers, or Social Security Number, over the telephone unless you are familiar with the company and know why the information is necessary.

If you have been victimized by an advance-fee loan scam, contact your local consumer protection agency, Better Business Bureau (BBB), or your state Attorney General. You also may file a complaint with the FTC online at **[www.ftc.gov](http://www.ftc.gov)** — click on Complaint Form; call, toll-free, 1.877.FTC.HELP (382-4357); or write, Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580.

The FTC publishes free brochures on many consumer issues. For a complete list of publications, call, toll-free, 1.877.FTC.HELP (382-4357). Ask for Best Sellers. Or write, Best Sellers, Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580; or visit the FTC online at **[www.ftc.gov](http://www.ftc.gov)** — click on Consumer Protection.